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WAR FOOD ADMINISTRATION
Agricultural Adjustment Agency
North Central Division
June 1945

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A REVIEW

A LOOK AHEAD

Dear Committeemen:

For the last seven years AAA has helped farmers under the legal authority of the Agricultural Adjustment Act of 1938. Many changes have taken place in the world and in agriculture since Congress passed this law.

Many farmers are fearful of the problems peace will bring because they forget we still have the AAA Act to assist them in adjusting agriculture to peacetime conditions. That is why you are gathered here today -- to again review the national farm legislation still in force so you as county and community committeemen can assure your neighbors that they, cooperating with their government, can have prosperity in times of peace.

As committeemen and as farmers we are doing a great service to the Nation during the war. Now I feel it is our duty, as the elected representatives of our neighbors, to take a look at the past and to lay our plans for the future. Your neighbors expect you to lead the way in developing farm programs.

All of you remember the condition agriculture was in when you started AAA. You know what it has done -- how it helped raise and maintain prices; how it helped rebuild your land.

The legal authority for AAA programs, along with other agricultural legislation, was passed by Congress because farmers asked for it. I believe that Congress, in the future, as it has in the past, will provide whatever legislation is needed by agriculture if farmers will make their needs known.

I wish I could attend your meeting and talk these things over with you. Your advice and judgment on the questions being discussed here today will help solve the problems of tomorrow.

Sincerely,

Leroy K. Smith
Leroy K. Smith, Director
North Central Division

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THE POLICY OF AAA

"It is hereby declared to be the policy of Congress to continue the Soil Conservation and Domestic Allotment Act, as amended, for the purpose of --

1. "Conserving national resources, preventing the wasteful use of soil fertility, and of preserving, maintaining, and rebuilding the farms and ranch land resources in the national public interest;
2. "To accomplish these purposes through the encouragement of soil-building and soil-conserving crops and practices;
3. "To assist in the marketing of agricultural commodities for domestic consumption and for export;
4. "And to regulate interstate and foreign commerce in cotton, wheat, corn, tobacco, and rice to the extent necessary to provide an orderly, adequate, and balanced flow of such commodities in interstate and foreign commerce through storage of reserve supplies, loans, and marketing quotas;
5. "Assisting farmers to obtain, insofar as practicable, parity prices for such commodities and parity of income;
6. "And assisting consumers to obtain an adequate and steady supply of such commodities at fair prices."

-- As Stated in the Agricultural Adjustment Act of 1938,
Approved by President Roosevelt February 16, 1938.

OPERATION OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938

Passage of the Agricultural Adjustment Act in 1938 strengthened and continued the Soil Conservation and Domestic Allotment Act of 1936 and, in addition, took steps for more effective adjustment of farm production. Here is an analysis of the principal objectives and provisions of that law:

1. Building Soil Fertility

AAA payments are made to farmers in order to preserve and maintain soil fertility and conserve water. These payments may be in the form of direct payments to farmers or as conservation materials and services.

The act provides that cooperating producers in each township shall elect county and community committees from among their own number. The committeemen help to shape the conservation programs to fit the needs of their own localities and discuss with each farmer those practices which will improve the farmers' land and production. They advise the individual farmer of the payment that he may earn under the AAA program for carrying out approved practices which will help his particular farm. By carrying out these practices in ever increasing volume farmers have increased yields and farm income and also assured consumers of adequate farm supplies at fair prices.

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2. Loans and Support Prices

Under the 1938 Act the Commodity Credit Corporation is directed to make loans on farm commodities direct to producers. The operation of the loan program has always been directly through State and county AAA committees.

These loans provide a floor for prices to assure producers a fair return. The assurance of a fair support price, either in the form of a loan or of a purchase, guides production and assists toward orderly marketing.

The price support program has been broadened during the war to stimulate production of needed farm commodities. The Steagall Amendment passed in 1942 requires that those commodities for which the Department of Agriculture has requested increased production for war purposes shall be supported at not less than 90 percent of parity or comparable price. (These commodities are listed in the discussion section of this statement.) These supports are to be maintained during the war and for at least 2 years afterwards.

These price support programs are carried out by the Government through commodity loans, direct purchases, and indirect purchases.

3. Parity Payments

Under the AAA Act "parity" is defined as the price which will give that commodity a purchasing power with respect to things that farmers buy, including interest and taxes, equal to the purchasing power of such commodity in a past base period. For most commodities this base period is from August 1909 to July 1914.

For example, the base period (1909-1914) average price for corn was 64.2 cents per bushel. On April 14, 1944 the cost of things that farmers bought stood at 173 percent of the base period average. Multiplying 64.2 cents by 173 percent, the U. S. parity price for corn on April 15, 1945 stood at \$1.11.

Whenever the average price received by farmers during the year for cotton, wheat, corn, tobacco, and rice drops below parity -- and Congress appropriates funds -- parity payment will be made to increase the total return to farmers to as near parity as the funds will permit. These parity payments are not a substitute for allotment payments which may be used to adjust the acreage for a commodity.

4. Acreage Allotments

The Secretary of Agriculture is instructed to determine the acreage of each basic commodity which on the basis of an average yield will produce a crop large enough (when added to the carryover) to meet American consumption and export needs plus a safe margin. This becomes the national allotment which is then broken down to counties and farms. Because of the national emergency no allotments are in effect in 1945 except for tobacco. In years when allotments are in effect AAA allotment payments are made to cooperating farmers, who, in addition, are eligible to place the commodities under seal at the full loan value.

Whenever the total supply of a basic commodity becomes excessive the Secretary is directed by law to conduct a referendum by secret ballot on the question of establishing marketing quotas for each farm. It takes a two-thirds vote in favor of marketing quotas to put them into effect.

If marketing quotas are voted down, CCC will not make any loans for that commodity. If quotas are voted in, each farmer can market his fair share. Farmers who cooperated in acreage adjustment may market their entire production. Non-cooperators may store their production which was in excess of their quotas. If they want to sell an amount in excess of their quota, they must pay a penalty on that amount. In this way, the available market is shared fairly; and excessive supplies are withheld from the market, being stored for years of poor crops or increased needs.

5. Crop Insurance

Congress has authorized a program of Federal crop insurance in order to promote the national welfare by lessening the economic distress resulting from crop failures by causes beyond the farmers' control.

The Congress has authorized insurance up to 75 percent of the normal yield for wheat, cotton, and flax. Experimental insurance programs are in effect for corn and tobacco. Experimental programs for three additional crops may be added each year.

Over a period of years the amounts collected as premiums must balance the amounts paid out as indemnities. The Federal Government pays the administrative costs.

6. Sugar Program

The Sugar Act of 1937 authorizes payments to growers who pay fair wages to field workers; do not employ child labor; carry out soil-conserving practices; and comply with farm allotments.

Since 1942 there have been no limitations on sugar production, and payments are made to producers on the basis of the amount of commercial sugar they produce. Special payments are made for abandoned acreage or for a poor crop due to various natural causes.

7. Consumer Safeguards

In carrying out this Act it is the duty of the Secretary of Agriculture to look after the maintenance of a stable supply of agricultural commodities from domestic production adequate to meet consumer demands at prices fair to both producers and consumers.

8. Funds

Funds for carrying out AAA programs have been appropriated annually by Congress. Appropriations for the 1944 and 1945 programs have been for carrying out soil-building practices, for harvesting of grass and legume seeds, for encouraging the production of flaxseed, and for administrative expenses.

In addition to the direct appropriations 30 percent of the customs duties collected by the Government are set aside for use by the Secretary to: (1) Subsidize exports; (2) Increase consumption through diversion from the normal trade channels (such as the use of potatoes for starch); (3) Increase commodity consumption among low income groups (such as Food Stamp Plan); (4) Make payments in connection with the normal production of any agricultural commodity for American consumption (in 1943 payments were made to increase vegetable production).

Looking Ahead

(The following questions and background statements are presented as a starting point for discussion of important production and marketing problems which farmers may face after the war.)

Government Commitments

Congress has directed the Government to support the prices of many farm commodities at not less than 90 percent of parity for 2 years after the January 1 following the official end of the war.

The supported commodities include the six "basic" ones named in the AAA Act -- corn, wheat, cotton, rice, tobacco, and peanuts for nuts -- and the commodities for which WFA by proclamation has asked increased production during the war -- hogs, eggs, chickens (except those weighing less than $3\frac{1}{2}$ lbs. live weight and all broilers), turkeys, milk and butterfat, dry peas and dry beans of most varieties, soybeans and peanuts and flaxseed for oil, American-Egyptian cotton, potatoes, and cured sweetpotatoes.

The National Picture Today

	Production		Average U.S. Farm Prices (May 15, 1945)		
	1944 Compared with 1935-39 Average		Actual	Parity	90% of Parity
Corn	39%	Increase	\$1.08	\$1.11	\$1.00
Wheat	42%	"	1.49	1.53	1.38
Soybeans	243%	"	2.15	1.66	1.49
Dry Beans	11%	"	6.24	5.83	5.25
Potatoes	7%	"	1.77	1.25	1.125
Flaxseed	114%	"	2.91	2.92	2.63
Milk	14%	"	2/ 3.08	2.49	2.24
Eggs	45%	"	33.7	31.6	28.4
Hogs	54%	"	14.10	12.60	11.34
Beef Cattle	1/ 34%	"	12.90	9.38	8.44
Sugar Beets	29%	DECREASE	10.70	9.35	8.42

1/ All cattle and calves

2/ Milk sold wholesale

1. Should the Government announce in advance of the planting season that the price support for that year would apply only to a certain volume of production?
2. If the Government does not support the price of all produced of a commodity, how much of the production should be supported?
3. Should the support price cover only the amount of a commodity represented by a farm goal?

Percentage of Total Average Farm Cash Income, 1939-43,

Derived from "Basic" and "Steagall" Commodities

Illinois	72%	Missouri	65%
Indiana	75%	Nebraska	61%
Iowa	70%	Ohio	72%
Michigan	63%	South Dakota	62%
Minnesota	73%	Wisconsin	78%

Production Goals

Production goals have been used by AAA for basic crops since 1936. When war came the idea was extended to most commodities as a means of guiding farmers in producing the things required to fight the war. It has proved very successful in getting the right amount of the many farm products needed rather than too much of one or not enough of another.

1. Should a program of production goals be continued after the war?
2. What are the objections to the use of voluntary production goals?

Building Our Soil

Although during the war farmers have carried out more soil-building practices than ever before, all-out food production has exacted a price from our land. Greatly increased acreages of soil-depleting crops like corn and soybeans have unbalanced normal crop rotations and decreased our grass cover -- a net loss in fertility.

1. Since the soil has been depleted in the Nation's interest, has the public an obligation to help replenish it?
2. Will the present AAA soil-building program correct this situation in your county?
3. Should the amount of AAA soil-building assistance to individual farmers be increased, decreased, or kept about the same?
4. Should the farmer be required to make a greater contribution in cash for conservation materials?
5. If prices for farm products remain substantially near their 1945 levels, will farmers take the steps necessary to maintain our soil reserves?

AGRICULTURAL ADJUSTMENT AGENCY
North Central Region



